

LSEG STREETEVENTS

EDITED TRANSCRIPT

RHMG.DE - Q1 2026 Rheinmetall AG Earnings Call

EVENT DATE/TIME: MAY 07, 2026 / 12:00PM GMT

CORPORATE PARTICIPANTS

Armin Papperger Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

Klaus Neumann Rheinmetall AG - Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Alessandro Pozzi Mediobanca - Analyst

Sebastian Growe Exane Bnp Paribas - Research Analyst

Sash Tusa Goldman Sachs - Analyst

Christoph Laskawi Deutsche Bank AG - Analyst

Benjamin Heelan Bofa Merrill Lynch Asset Holdings Inc - Analyst

David Perry JPMorgan Chase & Co - Analyst

Adrien Rabier Sanford C Bernstein & Co LLC - Equity Analyst

Sven Weier UBS AG - Analyst

George Mcwhirter Joh Berenberg Gossler & Co KG - Equity Analyst

Marie-Ange Riggio Morgan Stanley - Analyst

Afonso Osorio Barclays Services Corp - Analyst

Chloe Lemarie Jefferies LLC - Analyst

Joe Orchard Redburn Partners LLP - Analyst

PRESENTATION

Operator

Ladies and gentlemen, welcome to the Rheinmetall AG Q1 2026 conference call. I'm Iruna, the Chorus Call operator. (Operator Instructions)
The conference must not be recorded for publication or broadcast.

At this time, it's my pleasure to hand over to Armin Papperger, CEO. Please go ahead, sir.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

Thank you very much. Good afternoon, ladies and gentlemen, and welcome to our Q1 2026 earnings call. Klaus and I are guiding you through our presentation today. But before I begin, please remind on our disclaimer on page 2.

Now let's go to page 3. Here you see the overview of the Q1 2026. On the sales side, we have a growth rate of about 8%. This growth is a little bit lower than expected because we have for about EUR200 million trucks ready. And you know that we always have the contracts with our customers, especially in Germany, that the delivery dates are fixed from them. We expect now that we are delivering this EUR200 million in Q2.

Another delivery in Q2 is going out because we started with the powder production in quarter one. But we were not able to deliver to the customer because of the lot acceptance test, et cetera, et cetera. This is another EUR100 million, which is going to Q2. That is the reason that quarter two will be in growth rate much better than quarter one, and we expect, in comparison to last year, in quarter two, a growth rate of more than 50%.

The operating result, which is a plus 17% is very positive. Even if the growth rate is on 8% level, [70%-plus] shows us a good leverage on the operating results, and we have an operating result of EUR224 million, so that the operating margin is growing to 11.6%. Another very good information is that applications are still in good shape. In the first quarter, we had more than 80,000 applications that like last year. We can expect that we have more than 300,000 people who want to join the Rheinmetall club.

On the operational free cash flow, it is very clear that we prepare for a huge growth in this year, and we have to invest. And we invest a lot of money in materials so that the operational free cash flows is on minus EUR285 million. This is not a critical point for us because over the whole year, we believe that we still have a very positive cash conversion rate.

On CapEx, we are on a good level. It's 10%. As you know, this year and also next year's, the CapEx will be still high. And over the next years, we will go down to a CapEx of between 5% and 6%, maybe 7%. Rheinmetall nominations in Q1 is nearly EUR5 billion, so exactly EUR4,866 million. And the backlog is growing, especially also because of the Naval Systems, of from plus 32% to nearly EUR73 billion.

If you go now to page 4, you see that Rheinmetall is really a key partner and a key industrial partner of German Bundeswehr. So as you know, the German Bundeswehr has three different phases to build up and to be the strongest force and to create the strongest army in Europe. On the short-term side, we are really at the moment in maximizing defense capabilities. That is the reason that our investments programs in Germany, but also in whole Europe and in the United States, are really focused on that. And we have an increase to 140% of the equipment level than we had before.

On the medium term, it's very clear that we have a major buildup of sustainable armed forces. And as you know, at the moment, Germany has forces of 180,000 people, and they have to grow up to 240,000 up to, let me say, minimum, 2029. And as you also know, there are plus 200,000 reserves, but all that soldiers need equipment. And that is the growth program which is coming up from today to '29, 2030.

And then we have a long-term target picture. And on this long-term target pictures, it's a very clear point on the way to be the strongest force in Europe to have a technologically superior armed forces. And all that is in combination with the budget that you have seen in 2030. The budget for defense will grow up to EUR190 billion. And as you see also here on page number 4, the draft budget for 2027 will have a 21% increase of defense spendings up to EUR145 billion. Huge amount of money, and Rheinmetall is preparing them to help wherever we can help to bring the equipment to the army.

The next slide, slide number 5, you see the highlights that we have on our new domain, our new division, Rheinmetall Naval Systems. The acquisition of the NVL, the former Lürssen company, was closed in February. We have a very good start in the integration process. We started with a steel cutting process. We started with first-ship launching ceremonies, and the baptism of the corvette Lübeck was a really good start in the first month where we had the domain sea.

So we gave also a non-binding offer to acquire the German naval yards. And with that non-binding offer, we started now a due diligence, and we expect over the next weeks that we have a result about that so that we can give a binding offer also to enlarge our capacities in shipyards. The financial results in Q1 and also the sales side are in line, so in the first month, about EUR80 million sales and 10% EBIT. This is exactly what we expected at the beginning.

As you know, the range is between 10% and growing over the next years, growing up to 15% profitability. In 2026, we expect huge orders, and there is an order of the F125 upgrade, and we gave also an offer for the new frigate contract of F126. And we also see internationalization and successful internationalization potential, for example, also in Romania. So all in all, very good start, a very good post-merger integration. We had the first welcome day also in Bremen, with the team, and I'm very happy with the team. I'm very happy with the motivation of the team and the spirit they have.

Now let's go to page number 6. On page number 6, you see what Rheinmetall is doing to create autonomous vehicles, autonomous air vehicles, land vehicles, and also vehicles on the sea. And you see the triangle that we have, the Rheinmetall autonomy strategy. On the unmanned ground vehicle side, we have since years a lot of vehicles where we made tests, where we are very successful in that area.

And the biggest program at the moment is the US tender. This is the S-MET program from the United States of America. And we took over the majority of DOK-ING. And in combination with our US business, our Canadian business, and the European business, we think we have a huge potential over the next years also to build up this land part. This is not only a one-product strategy that we have. This is a multi-product strategy.

And if you see Hermelin and other things where we that we offer at the moment also the German Bundeswehr, think it's a great strategy to go the next steps also with European partners and with NATO partners. On the unmanned air side there is loitering and ammunition and drone technologies. This Category 2 and Category 3 drones are in our portfolio, not Category 1 drones. But CCA, this is a real strategic partnership.

As you know we have partnerships with Boeing but also with Lockheed. And the MOU with Lockheed for European CCA is part of our PLCD program. So with both American partners, we try to open the market and to help Bundeswehr. And because PLCD is not ready, maybe -- and we really hope that we can implement the Boeing Ghost Bat technology into Germany from Australia.

On the unmanned surface vehicles, we made this joint venture with Kraken, where they have the majority. Last week, I have seen the production lines. We produce in Hamburg these unmanned vehicles. At the moment, we have a portfolio of a little bit more than 8-meter ships. But over the next year, we will build up two other ship classes. So that we think this is a real good start into the unmanned surface vessels.

And over the next years, we see that there is a potential of about EUR1 billion, EUR1 billion to EUR1.1 billion also on the air vehicles, and also about EUR1 billion on the land side. So in total, it could be around a potential of EUR3 billion per year that we do with autonomy, which would be a very positive signal.

On page number 7, you see that we are expanding the role of drone producer. If you see the drones portfolio of the German Bundeswehr, and if you see how much Rheinmetall is doing, we sometimes really astonished that people said, okay, what is the reason that you're not going into the drone business? Because we are since 25 years in the drone business. So Rheinmetall is the producer of ALADIN, LUNA, and [KZO].

These drones are qualified and implemented in German Bundeswehr. And we implemented also the Heron class. As you know, we sold that business later, but up to 2011, we -- Rheinmetall implemented the Israeli Heron technology into the German Bundeswehr. So 20 years and more before we started with the -- this drone technology and the future systems that yet we see, the MQ-28, so the Ghost Bat and the FV-014, this is what Rheinmetall is doing. And on the right side, you see the different category. So from ALADIN to the Ghost Bat, where we see a sales potential of EUR1 billion to EUR1.5 billion, as I said before, per year.

If you have a look to page number 8, you see the partnerships. We believe in partnerships because with partnerships, we are faster than if we go into development programs. And we are grateful also that these partners from the US like Boeing or also Lockheed are helping us with strategic partnerships to grow into these areas. As we said, the Ghost Bat should be implemented in 2029, and it is impossible to develop in that short time unmanned vehicle like the Ghost Bat. So I think this partnership can help us to grow faster.

Another partnership that we signed is the partnership with Indra in Spain. This is very similar than that what we did with Italy, with Leonardo. And there is a huge need on military vehicles and military trucks for the Spanish Army, and we build up this joint venture at the moment with Indra.

Page number 9, you see another partnership and one point that was missing was the long strike side. We are very good in artillery and tank ammunitions. We are good now on the drone side, but the deep strike and long precision strike, this is what we missed. So we found a partner in our analysis, and this is Destinus, a Netherlands-Swiss company. It's an European defense technology, and this is a differentiator to the US defense technology.

So we made an agreement that we create a joint venture with the majority of Rheinmetall Destinus Strike Systems. And this includes cruise missiles, but also ballistic rocket artillery. The work here should be that Rheinmetall is doing a lot on the rocket motor side. We do the warhead on the warhead side, and we make the infrastructure to build up the infrastructure until end of the year to build up the whole cruise missiles, starting end of this year or beginning of next year in Unterlüß in the north of Germany.

If you have a look now to page number 10. In page number 10, you see that there is an intensive discussion at the moment with a lot of Middle East customers. And we got a lot of calls from after the US-Iran conflict. And we counted the systems that we have now in the Gulf region. It's about 150 systems in the whole Gulf region, gun-based air defense systems. And we think that new systems will be implemented also in very short time.

Italy is a very strong driver in this area. The Italian government is helping a lot in this area to help the Middle East countries. The negotiations with already at the moment. We try to implement more than 10 systems in 2026. But we believe that this continues, and especially the ammunition, the high consumption on ammunition is the thing that really helps us on gun-based side, but also on missile-based side.

On the missile side, you see there is a heavy use of different missile types, and that is the reason that we made that investment on the rocket motors. And end of this year, the rocket motor production in Unterlüß will be ready. The rocket missile integration factory will be ready. So that in '27, we will go into a qualification, and hopefully in '28, we can be really in full scale production.

Page number 11 shows that Rheinmetall is fully in line with the Ukrainian priority areas. And the areas that we discussed, and the discussion was now one and a half weeks ago with the Ministry of Defense in Ukraine and the German MoD, that artillery ammunition, air defense systems, deep strike, and drone technology, and in combination with combat vehicles, this is exactly what we offer. The European Union decided to release financial support package.

As you know, there is a EUR90 billion package where (inaudible) EUR60 billion should be earmarked for the procurement of defense goods. We are in negotiations at the moment with different nations and also with Ukraine, how much we can help in that area.

And page number 12 is a highlight about the disposal of the Power Systems. We are nearly finished and, as said and as expected, we want to make the signing in Q2 2026. So in some weeks we are, let me say, 95% or more, 99% ready and are very near on the signing process. So far, [I know] a few about the technology.

And now I take over to Klaus, and he will take care about the financials.

Klaus Neumann - Rheinmetall AG - Chief Financial Officer

Thank you, Armin. Q1, we showed a solid growth of 8% on sales. But this does not give the full picture of the increase of our basic execution on operations. If you look at the buildup of inventory, about EURO.5 billion of material went into finished and pre-finished goods that are ready to be shipped in Q2. That would help us to basically show a very strong Q2 and have basically a first half of the year that is fully in line with our full-year expectations.

Operational result went up by 17%, so even in this increase in build-up of structures, we are showing leverage across all the different segments of our business. Overall, there was only a relatively small impact from currency on sales and on profitability.

Let's move on to page number 15 to have a closer look at the different segments. Vehicle Systems grew by 3% to nearly EUR1 billion, mainly driven by more wheeled tactical vehicles and the Lynx in Hungary. Operational margin improved to 9.6% to a more favorable product mix. Sales growth was as mentioned a little bit damped through the pre-production of trucks for the German customer where we expect the drawdowns in the coming weeks and additional sales in Q2.

Weapon and Ammunitions were flat at EUR600 million. Main reason for the relative was the (inaudible) incident in Q1 last year. In Q1, as you know, this year, the (inaudible) plant is fully operational again, but the products that are being produced will only drive the sales in Q2. And

then there were further, basically slipovers or delays in acceptance, so that reduced the sales growth. Overall, operating margin increased nevertheless by 0.1 percentage points to 19.4%.

Digital Systems grew by 16%, mainly driven by the TaWAN project and the consolidation of now blackned that was acquired in Q1 of last year. Also here, the division showed improvement in profitability. The operating margin now stands at 5.2%, again showing as the other divisions, a good leverage.

The biggest growth of all the different segments was in Air Defence with more than 30%. As a result, also the increase in profitability was the strongest from 12.5% to 15.6%. That's a very strong performance and shows the additional demand for Air Defence products. Naval Systems are now included for the first time with one month of sales. The business contributed already EUR77 million of sales at a solid profitability of 10%.

Overall, as mentioned, the growth grew to EUR1.938 billion. In the sales, you can also see the ongoing trend that consolidation increases as basically interaction between the different segments of our business intensifies. Let's move on to page number 16.

With almost EUR5 billion of Rheinmetall nomination, it was a solid performance on the sales side. You have to remember that in Q1 2025, the high order intake and nomination of almost EUR11 billion was strongly driven by two digital projects in Germany, TaWAN, and the IDZ. The mix in 2026 was more wide. It's a strong growth across all the different segments of the business, and also fixed orders were higher than in 2025. Overall, also including almost EUR6 billion of additional order book from the Naval business, the Rheinmetall backlog increased to EUR73 billion.

Let's move to page number 17. Operating free cash flow, as mentioned, was negative at EUR285 million, driven by strong investment, especially in inventory and basically as preparation of future sales. As mentioned, out of the EUR1 billion increase in inventory, almost half was going into finished and unfinished products ready to be shipped then in Q2. The main driver for the increase in inventory were, as mentioned, Weapon and Ammunition and also Air Defence. They also includes obviously the increase in Vehicle Systems for the pre-produced trucks to be delivered in Q2.

CapEx was as we are earning in the year, relatively modest, but higher than in 2025. Let's move to page number 19 to have a look at basically some of the supply chain issues that we are facing. That's page 18. Sorry. On page 18, we see some of our financing numbers.

Our net debt to EBITDA is very strong at 0.39 multiple, driven by a very low debt. And that needs to be considered in the context of having acquired the Naval business at the end of February. That is also the reason for a slight decrease in our equity ratio, but still with 30.7% of equity ratio, we are in our by strategic bandwidth that we are aiming for. So even after the acquisition, we have a very strong balance sheet and are prepared to support the ongoing growth and further acquisition if there are opportunities.

Concerning the convertible bond, almost all the bonds have been converted. At the end of April 2026, only 8% of the Series B, the second tranche, were still not converted. We also received some positive feedback from our rating agency, Moody's. They provide an update and confirmed the Baa1 rating with a positive outlook.

Let's move to page 19 and look at the supply chain. Our energy costs only account for about 1% of sales. We have a coverage of 77% for electricity and 84% of gas procurement is covered by long-term contracts. So we are not, like, exposed to volatility in the purchase price. On raw materials, we -- as mentioned before, we are stockpiling, actively stockpiling, strategic raw materials and to also support or intensify our supply diversification to basically make the whole supply chain more robust and more resilient against the possible disruptions and price fluctuations.

As with many of the raw material prices, we have contracts in place on the sale side that can allow for the pass-through of increased purchasing costs, in some cases specifically to the certain materials, in both cases for general inflation and production cost increases.

Let's move on to the outlook. And for that, I hand over back to Armin.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

Thank you, Klaus. On the backlog side, you see that the Rheinmetall backlog in Q1 is, as Klaus said before, growing up to EUR73 billion, where around EUR5 billion is on the Naval side. A very positive signal is that the fixed contracts are growing up. And so this is in total more than EUR44 billion fixed. The rest is the nomination. So as you know, we change more and more from nomination to fixed because especially Germany wants to do that.

And this is what we will see over the next weeks also for contracts, for trucks, et cetera, et cetera, to get more and more fixed contracts, but also ammunitions like artillery ammunition and also a new contract which is coming up on 30-millimeter ammunition, which could be in multi-billions.

So in April, the biggest contract, there are a lot of smaller contracts, but the biggest contract of about EUR2 billion is the loitering ammunition. We expect that in Q2, we will have total nomination of around EUR20 billion. There are this final negotiation where we should sign it in, we should have a signing also in May, because of the safe money, it's MBT in Italy. There is a Lynx program that we have final negotiations with Romania. The biggest contract will be for sure F126, where we expect that in Q2, there could be a signing, but ammunition trucks, et cetera, et cetera, or the other things.

And in the second half of this year, the expectation is to have around EUR60 billion opportunities where you see Ukraine packages. The biggest one is Arminius for sure. This is the Boxer program, which is coming up, but also British and other international programs. If you see that we have a backlog -- (inaudible) backlog covering of nearly 100%, because it's at the moment 97% booked and service contracts and other things are coming in, and we can serve that over the next two months so that the 100% are very clear.

So our expectation is that it is really that we are in good shape to have this EUR14 billion to EUR14.5 billion sales in 2026. If everything is in line, the potential that is that Rheinmetall backlog could be around EUR135 billion end of this year.

So how does it work that the sales is really coming up and you get an overview about what happened in '25 and in 2026 to compare it. So we had the best first quarter in 2025 ever. And in the first quarter last year, we made 18% of our annual sales. This year we have a better quarter one, but we are growing strong. We have a growth rate of 40% to 45%.

And as you know, about EUR300 million, what we shifted into quarter two is because of the trucks and the ammunition, what Klaus and myself said before. So we had 14% in Q1, so it will be a stronger Q2. And last year in 2025, we shifted from Q4 2024 something in the first-quarter 2025. But in total, and this is very normal in our business, in the second half of this year we will make 64% of the sales. Last year, nearly the same, we made 62% of the sales.

So it's a typical year, and sometimes it change from quarter to quarter, but it's nothing that we unexpected. And by the way, we expected also in 2026 that the growth rate was around this 14%. The importance that we have is now also that we have in Q1 2025 a full quarter with Loc Performance contribution in Q1 2026, only one month of the Naval Systems.

If you have a view now to slide 23. We stay on the full-year guidance that the sales is going from about EUR1 billion to EUR10 billion, EUR10.5 billion. Operational margins from 18.5% to around 19%. The operational free cash flow, we expect more than 40% about the operational cash conversion rate in 2026. And we stay also what is our plan in 2030. And as more we book, the backlog is really growing up as better it is so that we are, yeah, on a good way also to reach our long-term target.

Thank you very much for your attention. Now we are happy for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Alessandro Pozzi, Mediobanca.

Alessandro Pozzi - Mediobanca - Analyst

Good afternoon and thank you for taking the questions. The first one is on NVL. Can you provide an outlook for the opportunities that you see in the Naval business? You mentioned the F125, the upgrade, the F126, which you put in as a potential contract in Q2. If you read the press, we read about EUR12 billion potentially that could be worse.

I guess also comes with some, maybe say too, execution risk, because taking over a program that is being ongoing with a lot of delays has some execution risk attached to it. Also, I think Romania or it becomes an opportunity as well for NVL. I was wondering, yeah, if you can give us your sense about potential opportunities for NVL.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

Yeah. Let's start with the 126. On the 126 side is we have strong negotiations with the Ministry of Defense about that. As you know, that this was a critical program, as a critical program for us, it was very important to have a very, very deep technical analysis. What we did is a technical due diligence that we did together with the team of Damen. In this technical due diligence, we found out that we see the way that we are able to sort it out.

I don't speak about the exact numbers, but maybe you are right in this, in the, in the level where we said, we always said it should be a program which is more than EUR10 billion. We have to ask for that. I think on the technical side, our team in Bremen and Hamburg is able to sort it out. The program management tool, the I-IT capacities that we have to guide such a program is very positive. On the F125, this is an upgrade program. We see very low risk on this area.

As I said, we are not speaking about the F127 because we believe that this will be nothing for this year. I believe that the capacity that we have at the moment in the Ministry of Defense to work out such big programs is not high enough. We gave also internally our offer. As you know, we do this together with our friends of TKMS. I do not believe that this will come this year. There are different opportunities.

We speak with countries like Bulgaria, like Romania, like Croatia, et cetera, et cetera, where when we took over, they came to us and said, okay, we want to cooperate with Rheinmetall, and we want to do something also in that countries to build ships. All in all, there is a huge opportunity and another huge opportunity we see on this cooperation with Kraken. As I told you, I have seen the production line now that we have in Hamburg, and I'm very positive that very soon we are able to produce more than 200 of that ships. We want to produce to grow up to 500 per year in different ship classes.

As you know, the higher ship classes, they also will have higher prices in that area. There is huge potential, and what we want to do is over the next years, up to 2030, to grow this Naval business to a EUR5 billion business. How does it work? It works with a vertical integration. Again, our strategic point is to grow from a work share of 30% up to 50%, to bring more ammunitions inside, more weapon technology, more launcher technology, simulations, et cetera, et cetera, so that then we could be nearly a one-stop shop on the naval side. Is that fair?

Alessandro Pozzi - Mediobanca - Analyst

Yeah. Just to follow up, on the 1 to 6, is it engine to changes in the procurement rules? On the 1 to 7, can you quantify what could be the potential opportunity for NVL?

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

The 1 to 6, we are in negotiations with the supply chain at the moment. The point is for me very clear, nothing is fixed because we bring up everything new and this is in the negotiation that we have with the MoD, the German MoD. We want for sure, we want to implement a supply chain that we had before if we get a fair price and if we get a good technology. If we see no risks in that area, we want to continue. On the F127 in total, there is also an opportunity for a high single or double-digit billion EUR.

Alessandro Pozzi - Mediobanca - Analyst

Okay. Thank you very much.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

Pleasure.

Operator

Sebastian Growe, BNP Paribas.

Sebastian Growe - Exane Bnp Paribas - Research Analyst

Yeah, good afternoon. Thanks for taking my question, Sebastian. also one on the naval side and on Romania, there has apparently been various press coverages on this one, and also you released a good statement on it. on this potential takeover of a shipyard in Romania together with MSC, can you talk about the opportunity that you see there and how should we think about the risk profile and also going forward? apparently you mentioned the EUR5 billion that you have in mind for NVL over time, but how does Romania really fit in here? maybe you can start there and then F one on the German order side.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

On the Romanian side is the Romanian government is asking us if we can help because they see that they, we need more capacities also on our side. Our calculation is that we have at the moment with the shipyards that we have under control, maybe 50%-60% of the capacity that we need, we have to grow.

We are looking for other shipyards for other investments. That is the reason that we are looking Europe-wide, what's possible. The shipyard in Romania is a very big one. We are not interested to take over everything there because it's too big and we cannot use it in this way.

That is the reason that the MSC people came to us and they have more than 1,000 ships, transporting ships, container ships, et cetera, et cetera. They have, they need maintenance shops. If I see it right at the moment, then nothing, there is no deal at the moment. If everything is going right, maybe we need from the shipyard 10-15% of the capacity and the rest is for the container ships.

We have to educate the people, but this is always the same. We have our internal education program that could be a win-win situation. As you know, Mr. Growe, nothing is done at the moment, we are still at the moment in the negotiation.

Sebastian Growe - Exane Bnp Paribas - Research Analyst

Okay. Understood. Thank you for that. On the German order pipeline, how should we think about the US decision to withdraw troops from German soil? How might that benefit you and the mentioned joint venture with Destinus? How does this impact your earlier EUR5 billion

revenue target that you had set out for the missile business over time? If you could also quickly comment on how you think about the chances that come with the increased budget for 2027 in Germany.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

Yeah. The investments that we do on German soil, we stay on that. This is exactly what we want to do. We try to find out more capacities, and we will invest also more. For example, this is what I can say that we try to build up relatively fast also an SPX or Hexagon or Octagon production line here also in Germany.

Yesterday, I was in Aschau am Inn where we started yesterday a huge, a new investment program. As you know, we doubled the capacity in the powder production, and we still doubled it again in that area with a huge investment. In total, it's an investment of EUR450 million in total that we do there in the powder production in Aschau am Inn.

Bavaria will be the biggest producer, I think worldwide biggest producer also then for powder. German soil is very important for us. Only with that investment and only with that vertical integration, it is possible to grab all of the money and to help because as you know, a lot of companies have to invest, but only some companies really invest strongly.

With that strong investment, you and we are sure at the moment that the German government really is going that way to spend this money that they have in the plan. The Germans are, like Germans are, if they have it in the plan, usually it works.

With all the discussions we have with the Ministry of Defence, with the Ministry of Finance, we believe that we are on the right way to go forward and to grab a huge part. How much it is exactly, I really cannot say because we have a strong definition for this year, but we have to define for next year what are the programs and how much we really can take into our order books.

Sebastian Growe - Exane Bnp Paribas - Research Analyst

That makes sense. In fact, because it just touched on programs, if I may quickly ask on the Boxer program, there have been, I think, confusing messages, probably the right way to put it, in the sense how easy it might be to define the contractual agreements, et cetera. If you could just have a quick word on how to think about the timeline.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

On the Boxer side, it's, there are two different ways at the moment. Ministry of Defense discussed, is it a direct contract from BAaINBw or is it via OCCAR? The next point is how many models should be implemented into this Boxer programs. As you know, we don't speak about the figures, but there are at least there are some 1,000 which are coming up. Our negotiation is at the moment that we need, our partner and us, we need this long-term contract because of the investment on one side. What you see is we are investing at the moment a huge amount of money. It's about EUR600 million for long-term items on the Boxer program.

We believe, and this is otherwise you are not able to grow up the production lines. You are not able to grow up the numbers that we have to deliver. If everything is running well, and if we are producing in full scale, we have to produce 1,000 Boxers per year, 500 from us and 500 from our partner, which is a huge amount of vehicles. I believe that in end of Q3 or Q4, we get a decision about that. They have to make a decision, otherwise there will be a delay. Because if we get a later decision, they get later deliveries.

As you know, the minister always said we must be ready in 29, and we are not ready if we make no decisions on the contract. I believe that the government is also in a position that they have to decide.

Sebastian Growe - *Exane Bnp Paribas - Research Analyst*

Perfect. Thank you so much.

Armin Papperger - *Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer*

Pleasure.

Operator

Sash Tusa, Goldman Sachs.

Sash Tusa - *Goldman Sachs - Analyst*

Good afternoon, both, and thank you very much for taking the question. Just a big picture one to start. I mean, you're obviously expecting very strong growth through Q2 and H2. Can you just give us some commentary on how you are seeing things developing operationally across the business? Is physical production capacity building out in line with your expectations?

Do you feel like supply chain is generally in good health, or is there anything we should be aware of that's giving you a headache across the business? That'd be really helpful to know. The second one is actually on the JV with Kraken.

I mean, if you could just give us some color on the customer requirements that you're targeting there, and I guess the initial opportunity is likely to be concentrated on smaller USVs, but do you see that scaling towards larger platforms over time?

Armin Papperger - *Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer*

The growth rate is, we prepared a lot. This is the positive thing. As Klaus said before, we have a lot of goods, ready goods, in the Q2 that we can bring. If the customer has to press the button, we get the green light and we deliver. This is one positive thing. As I said, EUR200 million, it was from the truck side. The powder is now ready, at the moment. The quality of the powder is good that we see no problems on the 0 tests, that everything is going forward. The capacity of the factories is in good shape. It's absolutely in the plan. What does it mean?

Our factory in Weeze, who is producing the F-35 fuselage sections are in time. Production line in Unterl   is in line. We had a small delay of two, three weeks, where we had some impacts on the explosives, but this is not a big issue. We still have, we work at the moment 24/7. We are still able to do something on Sunday to bring something up, but we want to produce about 140,000 rounds in that. The powder production and the modular charges in Bavaria and in other countries like also in South Africa are in full scale. Only an example about that.

The modular charges that you need, and we are the biggest producer of that, was all over the years, always 150,000, 200,000. We are now on a level of 400,000, we grow up to 2 million modular charges. This is a point which is huge. In 2027, you will see it's running up now. We doubled it now, it's really scaling up. We will have 10 times more up to 23. Everything is really good. The trucks on the truck side, we are ready. Everything was financed. We have a new painting shop. It's only some examples. I can give you 100 of that examples.

We did our homework, we made our investments, we are ready with a lot of that investment so that we are able to produce. We bought in with the Naval Systems division, more than 2,000 people, we are really highly educated and which bring us for over the whole year, more than EUR1 billion sales on top. This is also part of our growth rate. I'm very happy about that. Kraken. On the Kraken side, we start now with this 8-9-meter boats. As I said, there is a 12-meter class and also a higher class. Long term, we believe it's the same trend that the Air Force has.

On the Air Force side, we think at the moment there is 1 F-35, and there are 5-7 code planes which fly with the F-35 to make the mission. On the naval side, we believe it's very similar about that. That is the reason that we have to go in that area and that we believe also next year that we come to a higher ship class and the first will be more than 12-meter boat that we expect. Again, I think we are in good shape and Kraken and Rheinmetall relationship is a very positive one.

Sash Tusa - *Goldman Sachs - Analyst*

That's really helpful. Thank you.

Armin Papperger - *Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer*

Thank you.

Operator

Christoph Laskawi, Deutsche Bank.

Christoph Laskawi - *Deutsche Bank AG - Analyst*

Good afternoon. Thank you for taking my questions. The first one is a follow up on Sebastian's question on the Boxer contract. Should we expect this to be in one contract, one announcement? Or do you prepare for essentially, slice pieces or by vehicle type, more contracts in smaller size, but the total sum is still adding up to the amount that you flagged?

The second question, very long-dated one, but if I understand it correctly, obviously, you are in discussions with your customers for fixed cost sharing and potential payments to keep capacity ready in future years. Especially for very fixed cost intense parts of your business, this could be, I think, quite a good solution once growth will slow down. Could you elaborate a bit on how that could work? What kind of cost sharing one might expect, and if it's largely Germany or the also other nations that could do something like that? Thank you.

Armin Papperger - *Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer*

On the Boxer side, the first offer that we gave was a frame contract for all different types. This is the first thing that we gave to OCCAR. This is exactly what we said, the total amount for both companies, which was nearly EUR80 billion. There is a discussion at the moment, if we should carve out some of the types, to have, let me say, a better risk management, et cetera, et cetera. This is at the moment in discussions. There is, for me, very clear that there is a huge need, and nobody at the moment is discussing about that. There is no need.

If whatever will come out from the risk analysis from the customer, for us, it will not have a big impact. The total frame contract is a contract up to 35. If we reduce that, and if we come now to get contracts up to 29, this is also very helpful from other side because we have it for the next five years in the order books and we are safe also on the production. As I said, we invested in between EUR600 million, and we, it's not all paid. It's not all cash out, but some of them for long-term items for the Boxer. If we don't do this, we are not able to produce hundreds of Boxers per year.

The we as the two companies are fighting at the moment to have this long-term frame agreements with a fixed contract that would be at the moment on the level for Rheinmetall between EUR12 billion-EUR13 billion. Fixed cost sharing. On the fixed cost sharing, we have one discussion with the government, especially on the Ammunition side. The government wants that on the Ammunition side, we still should grow to build up the capacity to have a war reserve.

War reserve on one side on the -- in the stocks with ready goods, ready ammunition, and on the other side, to have materials that we take into our stocks, and where we have extra capacities in the production line that we can grow up the production very fast. For example, that we are able to start in five months to produce 20%, 30% more.

My question was, okay, if I have over capacities, and if I have these materials, who pays for that? The government at the moment, and this is still a concept. It's nothing in contract. It's still a concept that we discussed with the minister of defense, to say the government will pay the material, and the government will pay us, if we have higher capacities, and underutilized machines. We are in the calculation phase how it works. It's not ready. That is the reason then I can give you more, not more information about that.

Christoph Laskawi - *Deutsche Bank AG - Analyst*

Understood. Thanks a lot.

Operator

Benjamin Heelan, Bank of America.

Benjamin Heelan - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Yeah, thank you for the question. Hi, Armin. Hope you're well. First question on the offers that you're making for shipyards, right? You've obviously highlighted in the presentation the German Naval Yards. You've talked about this yard in Romania. I mean, naval has historically been a very difficult business for most of the naval companies that have done naval.

How are you going to manage the risk around these shipyards? How are you going to manage these programs without it just absorbing all of your time? Like, how are you thinking about that? Second question was on Boeing and the MQ-28. What exactly do you envisage yourself and Rheinmetall doing on that platform? If you could outline what that could look like.

Then also we've not heard an update on the missile venture with Lockheed recently. Just wondering if you can provide a bit of an update on how things are progressing. Are you still waiting for the USA approvals, and where we are on that? Thank you.

Armin Papperger - *Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer*

On the shipyards, we really analyzed what we are able to do with our team. What I see is that the 2,200 people that we have there, especially the management of the division, is very risk-averse. That is the reason that, and you see it also, even if we had only one month there, we still have an EBIT rate of about 10%. Which is, a lot of people said it's impossible to make 10% with a shipyard in this area. This is because of good digitization.

This is that we are able to make sales with, let me say maybe less people than others are doing there, and this is because of the program management that the people have and the program management skills. We have some very good IT programs also for the program management. I was very, very positive when we, when we had a look into this factory. It is possible, and we will see this year, it is possible that we start as the shipyards always did with good profitability and that we are good in handling the programs. Taking over other shipyards is, it's better to take over a warm shipyard.

Warm shipyard means that you have people who are really able to do it, who know what's going on. To reduce the risk is that we have to educate them. We have to give them the same skills that we have in Hamburg, that same skills that we have in Bremen or that we have in our other shipyards in Germany and around the world. This education and communication program is key for me to give them the same know-how, the same know-how level than we, than we have at the moment in our shipyards.

On Boeing, Rheinmetall has to be and must be the point of contact for the Germans. We are the program managers. We want to make the service, and we want to also to do some production because we have Weeze. In Weeze, we have a production line that can handle US data. We have terabytes of US data, secret data from the US government in Weeze, which are safe on our servers. This server is highly protected. It's certified from the US government.

We see it very positive because our relationship to the US companies brings us a good opportunity and a good advantage to handle the data. That we are able to produce something everybody knows because what we did in 16 months to build up this production line, the Americans were very positive about that.

Some weeks ago, Jim Taiclet was there, had a look into the production line and said it's outstanding what you guys did in 1.5 years. We are very happy and very positive about that. Missile, on the missile side, we have at the moment, because we don't want to be dependent from one side, we continue our activities with Lockheed, but we are looking for a good business case on the Lockheed side.

The numbers of missiles must be big enough if we implement that into our production lines. That is the reason that we have a look to different partners. We speak at the moment with Raytheon about cheap missiles. We speak with Destinus, and we are very near to have this joint venture.

We speak with other producers of missiles to do the rocket motors for them and maybe also the warheads. At least five to six different partners we want to have to fill our production line. End of the year, the production line of the rocket motors will be ready, and in 2027 we want to qualify these, the rocket motors, that we are ready end of 2027, beginning of 2028 to produce these rocket motors.

Not only the rocket motors, maybe to have also the full assembly. The assembly of a missile is not the complicated stuff. The complicated stuff is the rocket motor and the warhead, and some of the electronics for sure, which is there.

You see then that we are not looking only for one source, we are looking for different sources to fill our production lines where we at the moment invest a lot of money. I think that it's very clear that there is a huge need at the moment for missiles and a huge need of rocket motors, and that is exactly what our strategy says, and that's the reason that we invest. Is that good enough for you?

Benjamin Heelan - Bofa Merrill Lynch Asset Holdings Inc - Analyst

No. That's helpful. Thank you. Just one quick follow up. Is there a reason then that the Lockheed venture wouldn't be able to fill up the motor facility in Unterlüß because of the when you look at the Lockheed missile portfolio, it's very, it's very broad? Is it they only want to work on certain programs, not the whole suite of platforms? Like, is that what's going on?

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

No. What I want to do is I want to cooperate with not only one, I want to cooperate with more, I want to have it on a broader base. That is the reason that we speak not only with Lockheed, we speak also with others. As much we can do with them, we will do. If you ask me if I'm happy with the progress at the moment with the US, no, I'm not. I'm usually faster.

You see that we again build up in 12 months the production line about that. I thought that we could be faster also on the qualification. That is the reason that we look for different partnerships.

Benjamin Heelan - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Okay. Very clear. Thank you, Armin.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

Pleasure, Ben.

Operator

David Perry, JPMorgan.

David Perry - JPMorgan Chase & Co - Analyst

Yes. Hi, Armin, and Klaus, hope you are both well. I've got two questions. First one's quite a long question, I guess, but it's on Ammunition. We're getting a lot more questions from investors about whether Germany and Europe are going to buy as much ammo as perhaps you've hoped for because of the rising use of drones. It'd just be helpful if you could give us an update on a few things. One of them is the order book coverage you've got for the next five years.

Are the prices locked in? And something that I can't find good data on, but you may have insights on, Armin, is what is the current usage of 155 mil in Ukraine? If you could help us on those things, that would be fantastic.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

Yeah.

David Perry - JPMorgan Chase & Co - Analyst

Can I just give Klaus my question, or should I hold, wait for you to the first one?

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

I give you an answer.

David Perry - JPMorgan Chase & Co - Analyst

Okay

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

Then you have as much time as you want for the next point.

David Perry - JPMorgan Chase & Co - Analyst

Thank you.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

On the Ammunition side, we are at the moment fine with the German contract. The German contract that we expect now is for the lot, there are different lots that they order. For the, we call it lot number 9, will be in negotiations between 100,000, 120,000 and then another 600,000

rounds of 155. This is much more than they expect in the future, but this is the near time orders that will come. On the price side, we are fine. There is, and as I always said, the reason for that is because our price is better than the price of our competitors.

The main reason for that is automatization and vertical integration. Discussed it several times. With you. The other point is that a huge amount of medium caliber will come now. As you know, there are huge programs for infantry fighting vehicles in Germany. The Boxer is an infantry fighting vehicle on Boxer chassis. You need and we produce, as you know, the guns for that and especially the airburst ammunition where we are also a sole source. There is nobody at the moment who is able to produce it.

On the, on the medium caliber, we expect multi-billion contracts also on the medium caliber because they need something for restocking and on the restocking side, there, as I said, we need years, a lot of years, of that. At the moment, the backlog that we have on the Weapon and Ammunition is on a level of EUR26 billion. This is the backlog that we have, this is good for some years, but we will fill it up.

It is a part of our growing strategy. There is only small numbers for missiles inside, because we have some smaller contracts, 70 millimeter missiles, some smaller contracts, as you know, EUR200 million-EUR300 million for rocket motors. It's small in comparison to the rest, that we have. I'm fine with the level of the order book, and I'm fine, also, at the moment, with the price.

David Perry - *JPMorgan Chase & Co - Analyst*

Can I just clarify two things there? One, if you do have any insights into just how much artillery is being used at the moment in Ukraine.

Armin Papperger - *Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer*

Yeah

David Perry - *JPMorgan Chase & Co - Analyst*

Sorry, just the other one is the EUR26 billion for the book you gave. I think that's the frame backlog, rather than the firm backlog.

Armin Papperger - *Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer*

Yeah. No, that is right

David Perry - *JPMorgan Chase & Co - Analyst*

If Germany or other countries change their view, I'm not saying they will, but just if they were to change their view because of drones and evolving trends in the battlefield, can they walk away from that Rheinmetall backlog?

Armin Papperger - *Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer*

At the moment, I think I have no signals about that, and I can also tell you why. The Ukrainian war at the moment is because of this, let me say, gray zone or death zone or however you call it, this 35 kilometers above that. There is a huge use of drones and unmanned vehicles, et cetera, et cetera, because it's a stacked war. I had a lot of discussions with Germany.

If Germany or NATO is involved, that never will happen. Never. There will be never with NATO a war like in the First World War. This is at the moment a typical situation between Ukraine and between Russia. I think it's too deep that I go into all the strategic points.

Maybe we have some time if we are on the next conference about that. This is, I think, too detailed about. There is a mixture. It must be a mixture of ammunitions. Drone is one ammunition. The artillery need on the Ukrainian side, and I spoke still with the Ukrainians and the need that they see. This is also something they don't need, and this is very simple.

They don't need an ammunition which has a length of 12 or 20 kilometers. If you have that, you cannot overcome the death zone. You need now long-range artillery. This is one point that the Ukrainians ask for, and they ask for 1.2 million rounds per year.

The, the, they do not have enough at the moment. What we know is that the short-range, artillery, they do into the stocks at the moment because they don't, they don't need it. It's beautiful for us because we have long-range ammunition. We have a lot of long-range ammunition, up to 60 kilometers in this area. I believe for the next budget round, we will have, and we offered now again some 100,000 rounds for the Ukrainians via different countries. At the moment, I do not see that 155 is going down.

There is a need, a lot of need, and the Germans know it, say, okay, we need high technology rounds, we need long-range strike, and we need cheap ammunition. Cheap ammunition is drones, and we combine that. The drone side is especially for this death zone side, but also in some areas, but these are then more cruise missiles or long-range drones about that for the precision deep strike.

David Perry - JPMorgan Chase & Co - Analyst

All right. Thank you for the answer. If I could just ask my question to Klaus. Klaus, you've got this guidance for EUR2.8 billion of CapEx this year. I mean, it's a massive number. [Comment IR: Actual CapEx guided at the CMD 2025 is ~2bn](#)

Klaus Neumann - Rheinmetall AG - Chief Financial Officer

Yeah

David Perry - JPMorgan Chase & Co - Analyst

I just wanted to check. My understanding, and if I'm wrong, please correct me, my understanding is this is a gross number because you're including in that all the JVs, but it's a 100% share. If I'm right in that, I hope I'm not embarrassing myself and I'm wrong, but if I'm right in that, is there a mechanism you're going to get reimbursed? If so, when and how? How would it flow through the accounts?

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

Yeah.

Klaus Neumann - Rheinmetall AG - Chief Financial Officer

Yeah. You're absolutely right. The main driver for the significant CapEx number that we anticipate for 2026 are the projects within joint ventures and the mechanism where we would get contribution from the JV partner would be through capital injections. We get basically a capital contribution as equity, and that would be part of the financing for the additional CapEx.

David Perry - JPMorgan Chase & Co - Analyst

How will we see that? How will we see it in the accounts, or do you not know yet?

Klaus Neumann - *Rheinmetall AG - Chief Financial Officer*

You would in two ways. First, you would see it in the cash flow, in the capital section of the cash flow statement. Because it is such a big number, in case we do have these large investment programs, we will provide you with specific information how much of the capital contribution is related to such projects. We have already done so at the financial statements for 2025, where we provided this additional piece of information. If this is significant in 2026, we will do so as well.

David Perry - *JPMorgan Chase & Co - Analyst*

Thank you very much.

Armin Papperger - *Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer*

I believe, David, we have also at the moment a very strong program to cut the costs. We found some areas where we really can reduce prices also into our investments. I believe there is massive potential to have a better cash flow in that area.

David Perry - *JPMorgan Chase & Co - Analyst*

Thanks a lot.

Operator

Adrien Rabier, Bernstein.

Adrien Rabier - *Sanford C Bernstein & Co LLC - Equity Analyst*

Hi, good afternoon. Thank you for taking my question. Could you please quantify the Marshall Plant and the trucks delivery impact in Q2? I guess my question is, we're all expecting to see backlog translate into very strong sales growth. How confident are you that the inflection will actually happen in Q2, and what's going to drive it?

Armin Papperger - *Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer*

Yeah. One of the point is, as I said, we have a growth rate in Q2 in comparison to last year, as I have shown you in the presentation, which is the best Q2 ever in this area. Part of that is that our expectation is that the customer really gives the permission to deliver. There are different problems on the customer side. Sometimes the customer has not enough driver to take over. It's massive of trucks. It's hundreds of trucks that we deliver.

Sometimes, they, there is a contractual part that just say, I want to have it in that month. Number three, sometimes it's a contractual part that the, that the frame contract is coming later. The beauty is that last year we had the problem in December, and we switched it from December in January. This year we have a point in the first half of the year, but we believe that we have over the next two months a final decision about the deliveries of the trucks. What we do is, and this thing is also very positive, we continue production because there is no risk.

Because the customer, the customers, it's not only Germany, it's a lot of customers, they need these trucks. We continuous production. With that continuous production, we have a good leverage effect, so that the profitability is fine. If you would stop, if you would start again, maybe we could have a better cash management in that area.

That wouldn't help us on profitability because going down, coming up, it has quality problems, et cetera, et cetera. In total, the numbers of trucks, and you will see it over the next weeks, we will sign new contracts on trucks, thousands of trucks, which are coming up, and we are totally relaxed about that.

Adrien Rabier - *Sanford C Bernstein & Co LLC - Equity Analyst*

Thanks, Armin.

Armin Papperger - *Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer*

Pleasure.

Operator

Sven Weier, UBS.

Sven Weier - *UBS AG - Analyst*

Good afternoon, gentlemen. A few questions from my side. I'm afraid I have to bother you again on the Boxer Arminius contract and the F126, because on the Boxer, I mean, I understand the procedural questions around OCCAR and the procurement office and maybe some slicing and dicing on the contract. What is your sense of maybe fractions in the MOD having second thoughts in general about buying tanks in general?

That would obviously be the biggest order in the history of the German Army and how much they are maybe afraid of the media feedback if they are seen buying tanks worth EUR80 billion. Then people ask them why they are not investing more into new technology.

Are you getting a sense that they're having second thoughts because of that, and that is actually delaying the process? Should you not be able to also get more political lobbying? Because, I mean, KNDS has done exactly the same as you in terms of investing into Boxer production. Shouldn't you also get like the Bavarian Hesse and Lower Saxony MPs on board to do the right amount of lobbying for the contract in Berlin? Is that your sense that this is happening?

Armin Papperger - *Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer*

Believe me, we do a lot of lobbying in that area. This is. I do not see. There are always very funny discussions about that things. If you think that the Boxer with a modern infantry fighting vehicle turret or a Boxer with a modern air defense gun is not a new technology. What is new technology? If the people say new technology is to create some software, we do this. This is in these vehicles, and you cannot fight with software.

This is always funny if the people said, okay, what are new technologies? Look what we are doing. We do now longstrike, we do missiles, we do drones, and we sign more contracts about that things. You need vehicles.

The point is always speak with the chief of the German Army, speak with the politicians to say, okay, what you need is logistics. What you need is safe transportation of troops. You cannot do everything like in a death zone with very small vehicles which has nearly no price.

As I said, it's not my words, it's the word of Christian Freudig also that we had on the Hanover exhibition to say, okay, we need cheap stuff and we need high-tech stuff. The cheap stuff at the moment mostly said this is high-tech. This is a differentiator in thinking about that. I believe that we need a mixture. The mixture is to have high-tech vehicles, to have high-tech ships.

It would be the same if we, if we would say we don't need submarines and we don't need frigates, but very soon we only have unmanned vehicles. That will not happen for the next 20, 30 years. The same will be on the land side. Therefore, I'm relaxed.

I don't know how much they really in the first scale ordered. It was planned, and that is what we offered, to have a fixed contract from Rheinmetall side of about 12 more, but a little bit more than EUR12 billion. This is the only offer that we gave. If the customer is coming back and said, okay, we want to change something, we will see. I can say not more at the moment about that because this, that is what we did. What was the real question about the F126?

Sven Weier - UBS AG - Analyst

No, I mean, the question for me was more, I haven't asked it yet, but the question was that, kind of because you sounded like you're still sorting out supply chain, you're still discussing with the customer. Because it didn't sound to me like the order would be really ready for the budget committee, in Q2 then, right? If there's still quite a few things that you need to iron out with supply chain and with the MoD.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

The order is ready. We gave the order to the Ministry of Defence. We gave it, they have it. If they make tomorrow a decision, then we can sign the contract. The order is ready. What we did is we created for sure a risk package around that things. The point is that we have also from our supply chain the offers. With some of the offers, we know that we have to make a renegotiation.

Sven Weier - UBS AG - Analyst

Other question I had was just on coming back on the Lockheed Corporation. I mean, given the consequences also of the Middle East conflict, I mean, is your impression maybe also that Lockheed wants to pocket the profit for themselves and don't want to share it, and that's kind of slowing down the process? I think they also need some technology transfer approval from the US government. Is that maybe also behind why it's going slowly?

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

There are two things at the moment. Government is one thing. The other thing is really the expectation that one or the other company has about the monetary packages of transfer of technologies. I cannot pay everything, so what I want to do is I want to have a, let me say, a fair, also package about that things, and this is what also takes some time. I'm not negative about that.

The only thing is what we usually do and this is what I said, if I can build up in 12, 14 months a ammunition factory, it should be also possible to implement the technology that we have in that time.

Sven Weier - UBS AG - Analyst

One question for me, if I may, just on the XM30, because that hasn't been discussed at all today and in the previous calls. Just was wondering, of course, it has a placeholder in the '27 budget. I mean, how are you seeing the progress on the program? I mean, do you also sense that maybe US is kind of rethinking it in terms of how many tanks they actually need? Yeah, how's XM30 going?

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

We are full throttle on that program. The prototypes are running to the army. The first tests are positive. As I said, I believe beginning of 2027, maybe end of 2026, we have an indication who is the preferred system. I personally believe that the US wants that. They have not new technologies. They have the same decision than the German and other NATO countries.

By the way, the NATO doctrine very clear says how many tanks, how many logistics vehicles, et cetera, we need. This is nothing changed in that. The Americans need that also. I'm still positive that this program will come. If they really order at the beginning 3,000 or 3,500 vehicles, I really don't know. This is also not my expectation, but if they only order 1,000, it's a great thing.

Sven Weier - UBS AG - Analyst

Yep. Sounds good. Thank you, Mr. Papperger.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

My pleasure.

Operator

George McWhirter, Berenberg.

George Mcwhirter - Joh Berenberg Gossler & Co KG - Equity Analyst

Good afternoon. Thank you very much for the questions. I've got two hopefully brief ones. Firstly, on the European Union EUR60 billion defense support package for Ukraine, can you just comment on how much of that you think Rheinmetall can capture? The second one is on Air Defence. You're seeing quite strong demand for your products currently. Are you considering further capacity expansion in Air Defence than you previously outlined, or are you sticking to your current plan? Thank you.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

European Union, the EUR60 billion, I really cannot say at the moment how much it will be. What we did is we offered, we gave a catalog. We gave a catalog with our capacities to European Union, how much air defense systems, how much ammunitions, how much drones, how much interceptors or whatever we could deliver. This is coordinated by the office of the commissioner in the European Union.

Now because that the money is still not really running, the first money would be for this is about EUR5 billion for the factories that we and others for sure have in Ukraine to help them and also the Ukrainian drone program that they can go forward in this area. If I would say, I really cannot say how much from the 16 at the moment I build. What we offered is huge, but what we get, I can give you a little bit later.

Expansion or capacity expansion, we need and this is what I told before, we need more capacity again, and this is, that is the reason that we invest on powder and on RDX, SPX. As I always said, it's Hexagon and Octagon. This is the next investment that we have. We will make also an in-investment on base plates, and we will make an investment also on the laser side.

These are the four things that we go forward and maybe also on AP, ammonium perchlorate. The first four, maybe we invest in Germany, and the rest will be invest then in Europe. We only do it, if we really have then, 100% vertical integration of everything that's going, what's going on there.

George Mcwhirter - *Joh Berenberg Gossler & Co KG - Equity Analyst*

That's really helpful. Just a quick follow up. Are you potentially looking to increase capacity expansion of the products, so the Air Defence products, like the Skyranger and Skyguard systems?

Armin Papperger - *Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer*

Yeah.

George Mcwhirter - *Joh Berenberg Gossler & Co KG - Equity Analyst*

Is it only really the ammunition that might be further increased into the capacity?

Armin Papperger - *Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer*

No, no. At the moment, we have, we build up a capacity of 400 air defense systems per year. With that 400, the total capacity or the total sales, if we are fully booked about that, could be more than between EUR4 billion and EUR5 billion. We have to grow up on the air defense side. On top, we have at the moment built up a capacity of nearly 1 million rounds of air defense rounds. Because we need that for air defense, but also for the infantry fighting vehicles, I think we have to invest more, especially into the fuse production and the medium caliber production in this area.

These are not huge investments that we have to do there. The beauty is that we did all the investments on the ammunition. This is the most expensive side. On Vehicles, on Air Defence, on Electronics, the investment is much smaller than on the Ammunition. On Ammunition, you have to make a chemical plant. You have to build up an asset plant. You have to build up big mixers.

You have, yeah, a chemical factory, and these are huge investments. If you want to produce vehicles, yeah, I have to buy some toolings. I have, I need a production line in that area, and I have to have the supply chain under control.

George Mcwhirter - *Joh Berenberg Gossler & Co KG - Equity Analyst*

Thank you very much.

Operator

Marie-Ange Riggio, Morgan Stanley.

Marie-Ange Riggio - *Morgan Stanley - Analyst*

Yeah, hi. Thank you for taking my question. I have a few follow ups, basically. The first one is on Germany because you mentioned the recent German package of the new military strategy with three different phases. Can you explain us how do you believe Rheinmetall will be placed in terms of project exposure or potential growth for each period? That the first one.

On Air Defence, again, it's a very strong quarter across all the metrics and especially on your sales, because it's above your sales growth expected for the year. How should we think about the Naval Systems division? Is there like any indication to believe that the guidance is a bit conservative, especially with the higher and unexpected demand from Middle East?

The last follow up is on the US and beyond the XM30. Is there like any recent development in terms of opportunities across any of offshore activities, given the fact that we're seeing a quite a significant increase of the US budget? Thanks.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

In the three different areas on Rheinmetall, I think Rheinmetall has to be and will be one of the main players here in Germany about that. We are at the moment and we will continue, especially because we are now also in the satellite business, we are now also in the Naval business, et cetera, et cetera. We have all domains and we will be a good service partner.

At the end of the day, and this is the point, make our customer happy. We have to serve the customer, you play a good role in all three areas where the German government wants to be up to 35 or 40. I'm very sure about that also in service and other things in the logistics.

If you see what we are doing at the moment also to build up for transportation, for ammunition, for storage for vehicles. As you know, we have to store vehicles because if we get all the vehicles, and if we have 200,000 people in reserve, you have to store that. You have to maintain them, maintenance them. You only can do it if you have the IPRs and the know-how of these vehicles. Otherwise, you are not able to do it because they lose also guarantee. I think we play a really strong, very strong role.

On the Air Defence side, I believe there is a huge need on the Middle East side, but not only on the Middle East. There will be a game changer on how to fight against drones. It will be a mixture, and some of them, a lot of them will be gun-based. It's not only at the air defense system that we have at the moment. We offer now also a new air defense system, which is where we produce with other calibers, maybe 25 millimeter, but also with .50, with acoustic sensors where we fight automatically. This is a small robot who is doing that, fighting automatically on vehicles against that.

This is a new demo that we gave to the German government now or will give over the next two weeks. There are huge more opportunities on the Air Defence side. At the moment, the drones, the Category 1 drones are very dangerous.

As you know, in Ukraine, they take these nets. There are street areas where these small fisher nets are inside, and with that net, they catch them. In the future, there will be very cheap systems that we set. We have, for example, a 40-millimeter handgun, which is where we are able to catch drones, if the soldier, the infantry guy is running around.

There are a lot of new technologies that are coming up because if there is a guy who is acting, who is giving you also a new threat, you have to fight against that. United States of America, it's XM30. It's auxiliary. We offered now also the auxiliary program. This is the RCH. Rheinmetall offered that because we have FOCl mitigation in the United States. We offered autonomous vehicles. We offered a new gun technology which they want to implement about that. There are minimum 10 programs.

We have huge programs on the missile side because the US wants to produce much more missiles. Rheinmetall is a component producer for missiles in the United States, Loc Performance is producing components for the United States. You see Marie-Ange, it's huge. It's a lot of programs that we offer there.

Marie-Ange Riggio - Morgan Stanley - Analyst

Okay. Thank you. Very clear.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

Thank you.

Operator

Afonso Osório, Barclays.

Afonso Osorio - *Barclays Services Corp - Analyst*

Hello. Yes, I appreciate this has been a long call, so thank you for taking the extra time with us. I have a couple as well. The first one is on this backlog bridge. Correct me if I'm wrong, but looking at your previous slides from the CMD last year, you had the Panther contract to Italy falling in 2027, but now we have this falling in the 2Q of this year. Just wanted to confirm that if that's the case and also the potential size of that opportunity. That's the first question.

Secondly, like bigger picture, given the significant increase in the German budget next year, just wondering how can you, how you're thinking about your long-term targets. Is there upside for long term because of that uplift in 2027, or do you think it's still too early to say? Thank you.

Klaus Neumann - *Rheinmetall AG - Chief Financial Officer*

Let's start with the second part. I think it's still too early to really say how this is going to develop. Regarding the reconciliation for our order backlog, as we mentioned several times, there are always some movements, some shifts, but overall, we can confirm positively the guidance that we provided already in the CMD last year of EUR80 billion order intake for 2026. That would take us to an order backlog by the end of the year of EUR135 billion. There are lots of additional opportunities that are moving around, but that is our best estimate as of today. Does it help?

Afonso Osorio - *Barclays Services Corp - Analyst*

No, it does. It does help. Just to confirm the Panther contract that was expected before in 2027, that's this, definitely this one to Italy in Q2 2026, right?

Klaus Neumann - *Rheinmetall AG - Chief Financial Officer*

It is. We have it on the page 21 as part of the EUR18 billion that we anticipate for-

Afonso Osorio - *Barclays Services Corp - Analyst*

What's the size of that one, if you can confirm?

Armin Papperger - *Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer*

It is patient. It's Q2.

Afonso Osorio - *Barclays Services Corp - Analyst*

Okay. Thank you.

Operator

Chloé Lemarié, Jefferies.

Chloe Lemarie - Jefferies LLC - Analyst

Yes, good afternoon, Armin and Klaus. Thanks for squeezing me in. I'd actually like to follow up on Ben's question on the missile JV. Should we assume that the JV with Destinus would be able to replace what the Lockheed Martin would have contributed to the EUR5 billion revenue target if it doesn't materialize? Is it not exactly the same scale from your perspective?

On my second question, if I could ask on the F126 order, how long should we assume from the order until it starts cycling through revenue? What would be the revenue ramp profile? Is it like a step, a step change, or is it, like, going to be a progressive ramp? Thank you.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

The missiles is an add-on. On the missile side, it's an add-on to that what we have. As I said, missiles. As a businessman, you will not take all the eggs in one basket. What we want to do is if we invest between EUR100 million-EUR200 million into rocket motors, if we invest EUR50 million into an assembly hall to make missiles, I won't be sure that we can fill this factory. That is the reason that we are looking for different partnerships. Lockheed was one.

As I said, Raytheon will be another one. We are in negotiations with them if we can do something. European partners want that we have a European source. Yeah. They want that we do something and that we build up capacities here in Europe.

It's a win-win situation also for the Americans, because as you know, the American capacity is not so high that they have a problem also to deliver. What we want to do is we want to make a risk reduction program that we do not have factories which are not fully filled, even if the need is huge outside. We want to make qualifications programs in different areas. Take the risk down.

F126. On F126, if we sign the contract, we will have the POC mechanism in this area, and with the POC mechanism, we will we can book sales not immediately, but over the first year and then year by year. What we want to do is we want to have a ready ship in 29, and we want to have ready for sale in 31, latest 32. This is what we want to do, and this is what we speak at the moment. 31 would be possible if we make parallel qualification programs with the German Navy and our internal qualifications.

We don't want that, let me say, all the sales will come when we deliver the ships, because we have a lot of cash and also the cash must be in with milestone payments about that. We take care about that. Otherwise, it would be bad for us.

Chloe Lemarie - Jefferies LLC - Analyst

Very sure. Thank you.

Operator

Joe Orchard, Rothschild & Co, Redburn.

Joe Orchard - Redburn Partners LLP - Analyst

Good afternoon. Thank you for squeezing me in. Just one question on my side, and it's one about Ammunition really and the competition there with the JV between Diehl and Nammo getting the green light to proceed. I guess how do you think about the long-term competitive landscape for 155 millimeter artillery production, and how well protected do you think your market shares are there?

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

Yeah. On the 155, it's, I think always it's very important how much capacity the different companies work off. Are you aware how much capacity they build up?

Joe Orchard - Redburn Partners LLP - Analyst

No, not at this point.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

I can tell you it's a different scale that we do. I'm not responsible for that company, but I think if you if you really ask for that, you will see that this is another category of ammunition production on 155. We still think that with our investments, with our automation, we have a very good situation because of the pricing of the costs that we have and the vertical integration which most of them they do not have. I love competition.

Joe Orchard - Redburn Partners LLP - Analyst

Okay. That's great to hear. Thank you very much.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

A pleasure.

Operator

Ladies and gentlemen, that was the last question. I would now like to turn the conference back over to Armin Papperger for any closing remarks.

Armin Papperger - Rheinmetall AG - Chairman of the Executive Board, Chief Executive Officer

Yeah, ladies and gentlemen, it's again a pleasure, like always, to discuss with you. I'm happy to see you again in the next conferences or in the next fireside chat calls. Thanks for your time. Thanks for your interest in Rheinmetall. Stay with us. My whole team will do really the best to make our customers happy. Thanks for your time.

Operator

Ladies and gentlemen, the conference is now over. Thank you for choosing Chorus Call, and thank you for participating in the conference. You may now disconnect your lines. Goodbye

DISCLAIMER

LSEG reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES LSEG OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2026, LSEG. All Rights Reserved.